

Managed By



BLACKWALL
PROPERTY FUNDS

BlackWall Penrith Fund No.3

ARSN 165 156 945

Financial Statements

Year Ended 30 June 2014

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Directors' Report

Principal Activities and Review of Operations

BlackWall Penrith Fund No. 3 is a registered managed investment scheme. BlackWall Fund Services Limited acts as the responsible entity. BlackWall Fund Services Limited (formerly called TFML Limited) is a wholly owned subsidiary of BlackWall Property Funds Limited.

BlackWall is a vertically integrated real estate company engaged in funds management and principal investment in deep value or property related special situations. BlackWall is listed on the ASX under the stock code BWF. BlackWall and the Responsible Entity share the same board of directors (Directors) and management.

The Fund is a property investment trust with an interest in a 'big-box' retail property located on Mulgoa Road, Penrith. As the Fund's name suggests this is the third investment syndicate structured with respect to the Property (the first commenced in 2002). Since that time the Property has generated investor distributions of not less than 8.75% per annum. These distributions have been paid quarterly and have never been postponed or suspended.

The Property's tenants include Toys R Us, Boating Camping Fishing and Barbeques Galore. Two new tenants recently opened at the site - a childcare operator (20 year term) and a restaurant (10 year term). The Fund is paying quarterly cash distributions at 9% per annum. Details of the tenancy profile are set out below:

Tenant	Commencement	Tenancy (sqm)	Lease Expiry	Option(s)
Toys R Us	October 1996	2,820	October 2016	2 x 10 years
Boating Camping Fishing	December 2007	1,454	December 2015	1 x 5 years
Barbeques Galore	November 1996	1,130	November 2016	1 x 6 years
Little Learning School	April 2014	683	April 2034	1 x 10 years
Rashay's	October 2013	550	September 2023	2 x 5 years

The Fund has made a \$4.5 million investment in the Property. This capital was raised through the issue of 4.5 million units in the Fund at an issue price of \$1 per unit.

Units in the Fund are property securities with characteristics of both debt and equity (also referred to as PIPES). Unitholders' returns are payable from the Property's net property income before the fund management fee is deducted.

The Property was last independently valued at \$16.5 million and has a bank debt facility of \$10.7 million. Under the PIPES structure the Fund's position is in priority to all other interests except for bank debt. As a consequence, the Fund's investment in the Property is protected by a \$1.3 million "equity buffer" – that is the property value of \$16.5 million less the bank debt (\$10.7 million) and the Fund's interest (\$4.5 million).

Owner's Equity acts as a buffer protecting the Fund's investment in the Property. Unitholders also share in any growth in the Property's value over the 7-year term, which commenced on 1 January 2014. The structure enables investors to avoid the substantial property acquisition costs normally associated with direct or syndicated property ownership. The Fund's returns and therefore Unitholders' returns are derived from:

1. PIPES Interest - a quarterly preferred payment equating to 9% per annum derived from the income generated by the Property; and
2. PIPES Bonus – 20% of any Capital Gains which is based on the capital appreciation of the Property at the end of the term.

LandMark White last valued the property in December 2013 at \$16.5 million applying a 9.5% capitalisation rate.

Significant Changes in Affairs

There were no significant changes to the state of affairs of the Fund during the financial year.

Information on Officeholders

The names of the Directors of the Responsible Entity in office at any time during or since the end of the year are set out below. Unless otherwise stated, the Directors have been in office since the beginning of the financial year to the date of these financial statements.

Richard Hill (Non-executive Director)

Richard Hill has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. Richard has invested in BlackWall's projects since the early 1990s. Prior to forming Hill Young, Richard held a number of Senior Executive positions in Hong Kong and New York with HSBC. He was admitted as an attorney in New York State and was registered by the US Securities & Exchange Commission and the Ontario Securities Commission. He is the Chairman of Calliden Group Limited and Sirtex Medical Limited (both listed on the ASX) and a Director of Biota Pharmaceuticals Inc. (listed on NASDAQ). In addition Richard is Chairman of the Westmead Millennium Institute for Medical Research. Previously, Richard was an Independent Non-Executive Director of the then ASX-listed Pelorus Property Group Limited. He is now the Chairman of the ASX-listed BlackWall Property Funds Limited.

Joseph (Seph) Glew (Non-executive Director)

Seph has worked in the commercial property industry in New Zealand, the USA and Australia. Seph has driven large scale property development and financial structuring for real estate for over 30 years. In addition, since the early 1990s Seph has run many "turn-around" processes in relation to distressed properties and property structures for both private and institutional property owners.

While working for the Housing Corporation of New Zealand and then AMP, Seph qualified as a registered valuer and holds a Bachelor of Commerce. In the 1980s he served as an Executive Director with New Zealand based property group Chase Corporation and as a Non-Executive director with a number of other listed companies in New Zealand and Australia. Seph is Chairman of Pelorus Private Equity Limited (an unlisted public company), a position he held when that entity traded on the ASX under the name Pelorus Property Group Limited. In addition he is a Non-Executive Director of the ASX-listed BlackWall Property Funds Limited.

Robin Tedder (Non-executive Director)

Robin has 38 years' experience in investment and financial markets. He has been an investor in BlackWall's projects since 1997. Robin is the Chairman of Vintage Capital Pty Ltd, an investment company with interests in property, wealth management, logistics and healthcare. He is a former member of the ASX and has served on the boards of several investment banks in Australia and overseas. He is a Director of Probiotec Ltd (a pharmaceutical manufacturing company listed on the ASX) and a Director of the retailer, Italtile Australia Pty Ltd. Robin is also a Fellow of the Financial Services Institute of Australasia. Robin is a Non-Executive Director of Pelorus Private Equity Limited a position he held when it traded on the ASX under the name Pelorus Property Group Limited. Robin is also a Non-Executive Director of the ASX-listed BlackWall Property Funds Limited.

Stuart Brown (Executive Director)

Stuart has been involved in property investment for over 15 years across funds management, property services and finance. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer of the then ASX-listed Pelorus Property Group Limited and later Managing Director. Stuart has run debt and equity raising in relation to listed and unlisted real estate structures with assets valued at over a half a billion dollars. In his earlier career, Stuart practised as a solicitor in the areas of real estate, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin. Stuart is also a Director of the unlisted public company, Pelorus Private Equity Limited and the ASX-listed BlackWall Property Funds Limited. Stuart is also an independent Director of Coogee Boys' Preparatory School.

Don Bayly (Company Secretary)

Don has a Bachelor of Commerce and Administration degree from Victoria University. Don has over 20 years compliance management experience.

Meeting Attendances

Director	Board Meetings
Meetings Held	5
Richard Hill	5
Seph Glew	5
Robin Tedder	5
Stuart Brown	5

Events Subsequent to Reporting Date and Likely Developments

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Fund's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

Remuneration

In accordance with the terms of the product disclosure statement, the Responsible Entity is entitled to receive an annual management fee based on 0.5% of the gross asset value of the Fund. The total fees paid to the Responsible Entity and its associates during the year is set out in the Related Party Transactions note.

There were no fees paid or payable from the Fund to the Directors of the Responsible Entity during the financial year.

The Fund does not provide any short term or post employment benefits to its KMP. KMP include Directors of the Responsible Entity and Tim Brown (Chief Financial Officer).

Interests in the Fund

The fund issued 4,500,000 units during the year being the total number of units on issue at 30 June 2014. The Responsible Entity and its associates did not hold any units in the Fund as at 30 June 2014. There were no withdrawals from the Fund during the year.

Value of Fund's Assets

The value of the Fund's assets is set out in the Statement of Financial Position in the Total Assets line. Refer to the Financial Assets note for valuation details.

Environmental Regulation and Performance

The Fund's operations are not regulated by any environmental regulation under a law of the Commonwealth or of a State or a Territory.

Indemnities of Officers

During the financial period the Responsible Entity has paid premiums to insure each of the Directors named in this report along with officers of that Responsible Entity against all liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Responsible Entity, other than conduct involving a wilful breach of duty. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor to the Fund.

Non-audit Services and Auditor

Amounts paid to the auditor during the year are detailed at the Auditor's Remuneration note of the financial statements.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out in these financial statements.

ESV was appointed as auditor on 22 August 2013.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.



Stuart Brown
Director
Sydney, 30 September 2014



Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

As auditor for the audit of BlackWall Penrith Fund No.3 for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 29th day of September 2014.

A handwritten signature in blue ink that reads 'ESV'.

ESV Accounting and Business Advisors

A handwritten signature in blue ink that reads 'Tim Valtwies'.

Tim Valtwies
Partner

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2014

	Note	2014
		\$
PIPES interest from PIPES mortgage		203,141
Bank interest		140
Total revenue	1	<u>203,181</u>
PIPES interest paid to unitholders	2	(203,141)
Administration expenses		(140)
Undistributed Net Profit For the Year		<u>-</u>
Total Comprehensive Income For the Year		<u><u>-</u></u>

The Fund was registered on 16 August 2013.

The accompanying notes form part of these financial statements.

Statement of Financial Position
For the Year Ended 30 June 2014

	Note	2014 \$
ASSETS		
Current Assets		
Cash and cash equivalents	3	155
Receivables	4	101,141
Total Current Assets		<u>101,296</u>
Non-current Assets		
Financial assets	5	4,500,000
Total Non-current Assets		<u>4,500,000</u>
TOTAL ASSETS		<u>4,500,155</u>
 LIABILITIES		
Current Liabilities		
Payables	6	101,296
Total Current Liabilities		<u>101,296</u>
Non-current Liabilities		
PIPES Mortgage	7	4,500,000
Total Non-current Liabilities		<u>4,500,000</u>
TOTAL LIABILITIES		<u>4,500,155</u>
 NET ASSETS		 <u><u>-</u></u>
 INVESTORS' FUND		
Undistributed net income		-
TOTAL INVESTORS' FUND		<u><u>-</u></u>

Statement of Changes in Net Assets Attributable to Unitholders
For the Year Ended 30 June 2014

As the Fund has no equity, the Fund has not included any items of changes in equity for the current year.

Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	2014 \$
Cash Flows From Operating Activities		
Interest received from PIPES mortgage		102,000
Interest distributions to unitholders		(101,845)
Bank interest received		140
Bank charges paid		(140)
Net Cash Flows From Operating Activities		<u>155</u>
Cash Flows From Investing Activities		
Payments for investments		(4,500,000)
Net Cash Flows Used in Investing Activities		<u>(4,500,000)</u>
Cash Flows From Financing Activities		
Proceeds from issue of units to unitholders		4,500,000
Net Cash Flows From Financing Activities		<u>4,500,000</u>
Net Increase in Cash Held	10	155
Cash and cash equivalents at the beginning of period		-
Cash and Cash Equivalents at the End of Period	3	<u>155</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

1. Revenue

	2014
	\$
PIPES interest from PIPES mortgage	203,141
Bank interest	140
Total	<u>203,281</u>

2. PIPES Interest Paid to Unitholders

	2014	
	CPU	\$
Interest income distribution paid:		
Interest on application money	-	641
PIPES interest paid in April for quarter ended 31 March	2.25	101,250
Distribution payable in July for quarter ended 30 June	2.25	101,250
Total	<u>4.50</u>	<u>203,141</u>

This reflects an annual 9% return on a \$1 investment for the year ended 30 June 2014.

3. Current Assets – Cash and Cash Equivalents

	2014
	\$
Cash at bank	155
Total	<u>155</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

4. Current Assets – Receivables

	2014
	\$
PIPES interest receivables	101,141
Total	<u>101,141</u>

5. Non-current Assets – Financial Assets

	2014
	\$
PIPES Mortgage	4,500,000
Total	<u>4,500,000</u>

The Fund has advanced monies secured by a registered second mortgage over property at 120 Mulgoa Road, Penrith.

6. Current Liabilities – Payables

	2014
	\$
Distributions payable	101,141
Other payable	155
Total	<u>101,296</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

7. Non-current Liabilities – PIPES Mortgage

	2014
	\$
Amounts due to unitholders	4,500,000
Total	<u>4,500,000</u>
Movements during the year:	
Opening balance	-
Units issued	4,500,000
Closing balance	<u>4,500,000</u>

Terms and conditions

All units in the Fund are the same class and carry equal rights. Under the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

The units are referred to as 'Property Income and Participating Equity Securities' or PIPES. Holders of units are entitled to participate in investment returns earned by the Fund in the proportion that their unitholding comprises to the total number of units issued, and are entitled to one vote per unit at unitholders' meetings. The Fund is expected to have a term of 7 years.

Due to the finite life clause contained within the Fund's Constitution and product disclosure statement, and in accordance with the Accounting Standards, the issued units in the Fund have been classified as debt for these financial statements.

8. Auditor's Remuneration

	2014
	\$
Remuneration of the auditor of the Fund:	
Audit or other audit related services	10,000
Total	<u>10,000</u>

The Auditor's remuneration is paid out of the underlying property assets.

9. Commitments and Contingencies

There are no commitments or contingencies as at 30 June 2014.

10. Reconciliation of Profit After Income Tax to Operating Cash Flows

	2014
	\$
Profit for the year	-
Change in assets and liabilities:	
Increase in receivables	(101,141)
Increase in payables	101,296
Net cash flows from operating activities	<u>155</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

11. Subsequent Events

To the best of the Directors' knowledge, since the end of the financial year there have been no matters or circumstances that have materially affected the Fund's operations or may materially affect its operations, state of affairs or the results of operations in future financial years.

12. Related Party Transactions

(a) Related Parties

In these financial statements, related parties are parties as defined by *AASB 124 Related Party Disclosures*.

(b) Transactions with Related Parties

Total unitholdings held by related parties as at 30 June 2014 are 2,759,000.

In accordance with the terms of the Fund Constitution, the Responsible Entity is entitled to a management fee of 0.5% per annum of the value of the Fund's assets, excluding any non-recoverable GST, payable monthly in arrears. The fees are paid from the underlying property assets not from the Fund's assets.

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

Related party transactions that occurred during the year (from commencement date 1 January 2014) are as follows:

	2014
Expenses	\$
Fund management fee paid to Responsible Entity	41,400
Distribution paid/payable to related unitholders	137,739
Receivables from related parties - current	101,141
Payables to related parties - current	62,078

13. Financial Risk Management

(a) Financial risk management

The main risks the Fund is exposed to through its financial instruments are market risk and liquidity risk. The Fund is not exposed to any major credit risk. The Fund's major financial instruments are financial assets and borrowings.

This note presents information about the Fund's exposure to each of the above risks, their objectives, policies, and processes for measuring and managing risk, and the management of capital.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the risk management framework. They monitor the Fund's risk exposures by regularly reviewing finance and property markets. An analysis of major financial instruments held by the Fund, which are subject to financial risk, is as follows:

Assets - Financial assets	\$ 4,500,000
Liabilities - Borrowings	(4,500,000)

Notes to the Financial Statements

For the Year Ended 30 June 2014

(b) Market risk

The Fund is exposed to market risk if insufficient cash flows are generated by the underlying property supporting the financial assets to enable PIPES Mortgage interest to be received by unitholders via distributions. The interest rate for the PIPES Mortgage is fixed at 9% for the life of the Fund. Distributions to investors may also be affected by fluctuations in the interest rate applicable to the senior debt facility secured on the property. If interest rates had moved at 30 June, with all other variables held constant, profit would have not been materially affected. Therefore a sensitivity analysis has not been prepared.

(c) Liquidity risk

The Fund is exposed to liquidity risk to the extent that at the end of the term of the Fund, amounts owing to unitholders will be required to be repaid from the proceeds of the realisation of the financial asset. Liquidity risk from distributions to unitholders may also be affected by fluctuations in the interest rate applicable to the senior debt facility secured on the property. If there is insufficient cashflow distributions may be reduced until the mortgagor has sufficient cashflow to pay PIPES mortgage interest. At the end of the year, the Fund held the following financial arrangements that are expected to readily generate cash inflows and outflows for managing liquidity risk.

	Maturing within 1 year \$	Maturing over 5 years \$	Total \$
At 30 June 2014			
Financial assets			
Cash and cash equivalents	155	-	155
Receivables	101,141	-	101,141
PIPES Mortgage	-	4,500,000	4,500,000
	101,296	4,500,000	4,601,296
Financial liabilities			
Payables	101,296	-	101,296
Amounts due to unitholders	-	4,500,000	4,500,000
	101,296	4,500,000	4,601,296

(d) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - inputs for the asset that are not based on observable market data (unobservable inputs).

The following table presents the Fund's financial assets measured at fair value.

	Level 1 \$	Level 2 \$	Level 3 \$	Total balance \$
PIPES Mortgage	-	-	4,500,000	4,500,000

Notes to the Financial Statements

For the Year Ended 30 June 2014

(e) Fair value measurements using significant observable inputs (Level 3)

The following table is a reconciliation of the movements in financial assets classified as Level 3:

	\$
Balance at the beginning of the period	-
Additions	4,500,000
Balance at the end of the period	<u>4,500,000</u>

14. Segment Reporting

The Fund currently operates in one business segment in Australia acting as the recipient of income to which investors are entitled to and to distribute this income to investors in proportion to their entitlements.

15. Fund Details

The management of the Fund is undertaken at:
 Level 1, 50 Yeo Street
 Neutral Bay, NSW, 2089

16. Critical Accounting Estimates and Judgments

The Directors of the Responsible Entity evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

Key estimates – impairment

The Fund assesses impairment at each reporting date by evaluating conditions specific to the Fund that may lead to impairment of assets. The Directors of the Responsible Entity believed it appropriate to raise no impairment provisions for the current year.

17. Statement of Significant Accounting Policies

The Fund is a managed investment scheme registered in Australia. As this is the first year of operation, there are no comparatives for these financial statements.

The financial statements for the Fund were authorised for issue in accordance with the resolution of the Directors of the Responsible Entity on the date they were issued.

Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Notes to the Financial Statements

For the Year Ended 30 June 2014

The following is a summary of the material accounting policies adopted by the Fund in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

New and amended standards adopted

The Fund has applied the following standards and amendments for first time for these financial statements:

(i) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures.

The Fund has adopted these standards and there are no material changes to the Fund's financial statements.

Presentation of financial statements

Presentation currency

Both the functional and presentation currency of the Fund is Australian dollars.

Going concern

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Financial Assets

As provided for in the Constitution, investors in the Fund acquired units, known as PIPES units.

The operative asset of the Fund is a registered second mortgage over 120 Mulgoa Road, Penrith.

The Fund had received a total of \$4,500,000 applications and had issued a total of 4,500,000 units.

Impairment of Asset

At each reporting date, the Fund reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, either the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the income of the asset is capitalised at its relevant capitalisation rate.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of

Notes to the Financial Statements

For the Year Ended 30 June 2014

depreciation or amortisation, if no impairment loss has been recognised.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Fund will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. Bad debts are written off when identified as uncollectible.

Payables

Liabilities for creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed to the Fund at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

Revenue

Interest income is recognised using the effective interest method when interest is received/receivable. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate. All revenue is stated net of the amount of GST.

Income Tax

Under current income tax legislation the Fund is not liable to Australian income tax provided the unitholders are presently entitled to the taxable income of the Fund and the Fund generally distributes its taxable income.

GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Unit prices

Unit prices are determined in accordance with the Fund's Constitution and Product Disclosure Statement and are calculated as net assets attributable to unitholders of the Fund, less estimated costs, divided by the number of units on issue.

New Accounting Standards and Interpretations

There are no standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration

In the opinion of the Directors of BlackWall Fund Services Limited, the Responsible Entity of BlackWall Penrith Fund No. 3:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2014 and of its performance for the period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

The Statement of Significant Accounting Policies confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors of the Responsible Entity.



Stuart Brown
Director
Sydney, 30 September 2014



Independent Audit Report to the Investors of BlackWall Penrith Fund No.3 (“the Fund”)

Report on the Financial Report

We have audited the accompanying financial report of BlackWall Penrith Fund No.3, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of net assets attributable to unitholders and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

Directors’ Responsibility for the Financial Report

The directors of Blackwall Fund Services Limited (“the Responsible Entity”) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 17, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackwall Fund Services Limited, would be in the same terms if given to the directors as at the time of this auditor’s report.



Independent Audit Report to the Investors of BlackWall Penrith Fund No.3 (“the Fund”)

Opinion

In our opinion:

- a) the financial report of BlackWall Penrith Fund No. 3 is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of its financial position for the year ended 30 June 2014 and of its performance for the year ended on that date;
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 17.

Dated at Sydney the 30th day of September 2014

ESV Accounting and Business Advisors

Tim Valtwies
Partner

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GLOSSARY

BlackWall	BlackWall Property Funds Limited and Subsidiaries (including BlackWall Fund Services Limited)
Financial year	16 August 2013 to 30 June 2014
Fund	BlackWall Penrith Fund No. 3
FVTPL	Fair value through profit and loss
GST	Goods and services tax
HSBC	Hong Kong & Shanghai Banking Corporation
IFRS	International Financial Reporting Standards
KMP	Key management personnel
PIPES	Property Income Participating Equity Securities
Property	Mulgoa Road, Penrith
Responsible Entity	BlackWall Fund Services Limited (formerly known as TFML Limited)

BlackWall Penrith Fund No.3

ARSN 165 156 945

Annual Financial Statements
Year Ended 30 June 2014

Managed By:



Level 1, 50 Yeo Street
Neutral Bay, NSW 2089
Responsible Entity: TFML Limited
ABN 39 079 608 825